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SUBJECT: ISRAEL MEDIA REACTION

SUBJECTS COVERED IN THIS REPORT:

Mideast

Key stories in the media:

The media reported that Hamas is prepared to reach a one-year (or 18-month) cease-fire with Israel if the border crossings into Gaza are opened. Israel Radio cited IsraelQs denial of such an offer. The media reported that Hamas refuses to link the release of Gilad Shalit to this issue, saying that its price is known. Israel Radio

quoted the international newspaper Ash-Sharq Al-Awsat as saying, citing Israeli sources, that Israel has raised the number of Palestinian prisoners it is prepared to release in exchange for Shalit to 1,300.

Yesterday The Jerusalem Post reported that, in a call to Saudi King Abdullah on Friday, President Obama asked Saudi Arabia for help to stop weapons smuggling into Gaza and that he emphasized his appreciation for the Arab peace initiative.

Yesterday The Jerusalem Post reported that an American expert on Iran told the newspaper on Saturday that the interception of an Iranian arms ship by the U.S. Navy in the Red Sea last week likely was conducted as a covert operation and that it is being played down by the U.S. military due to the lack of a clear legal framework for such operations. The media quoted the British daily The Times as saying yesterday that an American naval task force has been ordered to locate and intercept Iranian ships carrying weapons to Hamas in Gaza. Israel Radio said that the blocking of an Iranian ship by Egypt in the Gulf of Suez proved that Egypt was serious about preventing weapons smuggling. Makor Rishon-Hatzofe quoted DM Ehud Barak as saying that Egypt has started to foil arms smuggling.

Leading media reported that yesterday President Shimon Peres welcomed the mission of U.S. envoy George Mitchell. "QPressure" was the salient word in the front-page headlines on yesterday's Yediot and Maariv. Media reported that DM Ehud Barak will be leaving this week for a short visit to the U.S., where he will meet with Defense Secretary Robert Gates and possibly with President Obama. The Jerusalem Post reported that Barak delayed his departure to meet with U.S. envoy George Mitchell later this week.

Over the weekend the media quoted FM and Kadima chairwoman Tzipi Livni as saying that Likud Chairman Benjamin Netanyahu will cause a rift with the U.S.; Likud responded by saying that Kadima is desperate. HaQaretz reported that yesterday Netanyahu told Quartet envoy Tony Blair that a Likud-led government would not build new settlements in the West Bank but would allow for natural growth. HaQaretz said that this was an apparent attempt to calm the international community before this week's arrival of George Mitchell, the newly appointed U.S. envoy to the Middle East. The newspaper said that the two discussed the renewed American interest in the Middle East and Mitchell's visit to the region, as well as the 2001 Mitchell Report. The report led to the Roadmap and called for a freeze in settlement construction. Netanyahu was also quoted as saying that he plans to work to advance negotiations with the Palestinians quickly and to focus on economic development. Yesterday Maariv reported that Netanyahu recently told foreign diplomats: "If I win the elections, I won't form an extreme right wing government."

Israel Radio reported that Louis Michel, European Commissioner for Development and Humanitarian Aid, currently visiting Gaza, blamed Hamas for the destruction there.

Leading media quoted a Golani Brigade officer as saying during Operation Cast Lead that a soldier who is abducted should explode a hand-grenade on himself and the abductors. The IDF's order was to prevent the abduction of an IDF soldier at any cost.

The media reported that yesterday the cabinet announced that Israel will provide legal aid to IDF officers and soldiers who took part in Operation Cast Lead in Gaza if they are accused of war crimes. HaQaretz noted that the decision conforms to one passed in 2005, when the cabinet said Israel would help to pay the legal expenses of officers indicted abroad.

Yesterday The Jerusalem Post quoted Palestinians in Gaza as saying over the weekend that Haidar Ghanem, a Palestinian human rights activist and journalist who used to work for the Israeli human rights organization B'Tselem has been executed by Hamas on charges of "collaboration" with Israel.

HaQaretz quoted the chief IDF Rabbi, Brig. Gen. Avichai Rontzki, as saying in army publications: "[There is] a biblical ban on surrendering a millimeter of it [the Land of Israel] to gentiles. Rontzki denied that the Palestinians have any political rights.

Major media quoted the Jewish Agency as saying yesterday that a total of 250 anti-Semitic acts around the world were recorded in January. This marks a dramatic leap from the 80 cases recorded during the same period last year. According to the Jewish Agency, the Gaza operation probably increased animosity toward Jews.

All media reported on a renewed police probe of Yisrael Beiteinu leader, MK Avigdor Lieberman, his daughter, and associates. HaQaretz reported that Lieberman earned more than 2.5 million shekels (around \$630,000) as a salaried employee of his daughter's company from 2004-2006. During that time, he was neither a Knesset member nor a minister. Police suspect Lieberman of money laundering, fraud and breach of trust. HaQaretz reported that 11 million shekels (around \$2.77 million) flowed into companies owned by Lieberman's daughter. HaQaretz quoted sources in the national fraud squad as saying yesterday that the evidence gathered against Lieberman in recent months was far more serious and substantial than anything that has been previously published.

All media quoted the Bank of Israel as saying yesterday that Israel will go into recession in 2009. A negative growth rate of -0.2 percent is expected according to the Bank's new assessment. The previous forecast predicted a growth of 1.5%. The bank foresees a slight recession in the first half of 2009, followed by stability and a return to growth in the second half of the year and a return to the country's potential growth rate only by mid-2010. The bank said the forecast was adjusted in light of negative developments in the world economy as well as the Israeli market.

Electronic media reported that United Torah Judaism MK Avraham Ravitz passed away last night aged 75. He had been a parliamentarian for over 20 years and served as chairman of the Knesset's Finance Committee during part of his tenure.

Leading media quoted U.S. authorities as saying yesterday that they were prepared to offer partial immunity to American businessman Morris Talansky, the key witness in a corruption probe currently underway against PM Ehud Olmert. According to the offer, any prospective testimony given by Talansky in an Israeli courtroom will not be used as direct evidence against him in the U.S. HaQaretz reported that the testimony may be used in other instances, for example, as a lead to assist the Department of Justice in its investigation, to cross-examine Talansky should he be brought before an American court and as rebuttal to any assertions made by Talansky or his attorneys. HaQaretz reported that Talansky does not intend return to Israel to testify here, but Yediot cited the belief of the state prosecution that he will.

Saying that the rate of voter turnout has dropped in recent years, Yediot reported that judging by a new Dahaf poll, it is not likely to surge back. The survey found that only 65% of registered voters are certain that they are going to cast a ballot in the upcoming elections. The poll found that only 17% of respondents said they "think they will go to vote." Past experience shows that only people who say they are certain to vote actually go out and vote.

Mideast:

Summary:

Senior columnist Nahum Barnea wrote on page one of the mass-circulation, pluralist Yediot Aharonot: QWould the Obama administration be happy to help Livni and Barak against Netanyahu and Lieberman? Almost certainly -- provided elections were scheduled to be held a year from now. But the proximity of the elections makes such intervention impossible, and anyone who fears for Israel's independence and democracy should only be grateful that that is the case.

The conservative, independent Jerusalem Post editorialized: QAnyone who calls themselves Qpro-Israel,Q while demanding a withdrawal to the perilous 1949 Armistice Lines in an environment where that would represent national suicide, needs to do some serious soul-searching.

Defense commentator Amir Oren wrote in the independent, left-leaning Ha'aretz: Q[President Obama] can be the one to establish a new world order. The responsibility for providing him with the right partner, who will insist on Israel's security while also being flexible in order to achieve peace, lies with the Israeli voters, who will cast their ballot two and a half weeks from now.

Senior op-ed writer Akiva Eldar commented in Ha'aretz: QWhat do the candidates [for prime minister?] prefer -- forming a united front with 22 Arab states against Iran and its agents, or forming a united front with the settlers against the entire world?

Eytan Bentsur, former Director-General of the Foreign Ministry, wrote in Ha'aretz: QA Madrid process, led by the Americans, could lead to an alliance among the moderate countries fighting Islamic fundamentalism.

The nationalist, Orthodox Makor Rishon-Hatzofe editorialized: QMitchell is not friendly toward Israel. Nevertheless, President Obama's statement last Thursday lays a positive basis for coordinating policy with the United States. Obama and Clinton rejected bringing Hamas into the peace process.

Block Quotes:

I. "Foreplay"

Senior columnist Nahum Barnea wrote on page one of the mass-circulation, pluralist Yediot Aharonot (1/25): QThe messages that have been received from the new administration are conflicting: public statements that attest to an almost frantic sense of urgency regarding the Israeli-Arab conflict, and understanding that is conveyed in private conversations that nothing is going to move here until a new government is formed in Israel (the only arena in which there is any concern about something happening is with respect to Hizbullah, as the anniversary of the Mughniyah assassination draws near). A day before Mitchell's arrival, Ehud Barak will be leaving for Washington, at the invitation of the old-new Secretary of Defense Robert Gates. Tzipi Livni would have been pleased to receive a similar invitation from Hillary Clinton. Barak and Gates have a lot to talk about, as do Livni and Clinton, of course, but only a fool would believe that those trips have no bearing on the upcoming elections. Both of them would like to have their picture taken with Obama and, if that should be impossible, then at least with one of his senior ministers. American administrations haven't always hesitated before intervening in Israeli election campaigns.... Would the Obama administration be happy to help Livni and Barak against Netanyahu and Lieberman? Almost certainly -- provided elections were scheduled to be held a year from now. But the proximity of the elections makes such intervention impossible, and anyone who fears for Israel's independence and democracy should only be grateful that that is the case.

II. "Why Israelis Worry"

The conservative, independent Jerusalem Post editorialized (1/26): Q[U.S. envoy George] Mitchell is coming to Qpressure Israel,Q the Hebrew tabloids have chorused. One reason for this anxiety is that those gloating over Mitchell's appointment -- the Israel Policy Forum, Americans for Peace Now, J Street, Prof. Stephen (QThe Israel LobbyQ) Walt, the Council on American-Islamic Relations, and Ahmed Qurei (Abu Ala) -- either don't seem to QgetQ what this conflict is all about; or are outright champions of the Arab cause.... There would be virtually no support among Israelis for concessions to a Palestinian unity government in which an unreformed Hamas plays any role. Conversely, if the Obama administration could devise a strategy of sidelining the radicals and defanging their chief backer and the most destabilizing force in the region -- Iran, the prospects for a sustainable peace would improve dramatically. What about the illegal settlement QoutpostsQ Israel committed to dismantling? They should have been taken down as part of Israel's road map commitments. But eight years of unrelenting enemy violence -- Intifada, Qassams, Gilad Shalit's post-disengagement kidnapping -- robbed our politicians of the domestic support for such a move. It is legitimate for friends of Israel to differ over West Bank settlements. But anyone who calls themselves Qpro-Israel,Q while

demanding a withdrawal to the perilous 1949 Armistice Lines in an environment where that would represent national suicide, needs to do some serious soul-searching.

III. "Counting out his Revolutions Judiciously"

Defense commentator Amir Oren wrote in the independent, left-leaning Ha'aretz (1/25): QMore than anything, Mitchell's appointment reflects the direction and pace Obama has chosen for the region: Intensive American mediation, without which the parties will not reach a compromise; the presence of a large, strong and inter-departmental American delegation on site; shoring up support for his policy both within the administration and in Congress; imposing a firm timetable upon the parties (to freeze all settlement construction, to fight terror); intensive personal involvement on the part of the President, who will use his prestige to bolster his envoy, intervene at decisive moments in the bargaining and knock heads together when necessary. Obama may well want to mediate between Israel and the Palestinians on the one hand, and between Israel and Syria on the other, because doing so affords him the opportunity to offer a new kind of statesmanship: He can be the one to establish a new world order. The responsibility for providing him with the right partner, who will insist on Israel's security while also being flexible in order to achieve peace, lies with the Israeli voters, who will cast their ballot two and a half weeks from now.

IV. "Arab Initiative, Israeli Choice"

Senior op-ed writer Akiva Eldar commented in Ha'aretz (1/26): QIn a normal country, the various parties' positions on this important initiative [the Arab peace initiative] would be on full display. In

Israel, for the third time, the Saudi initiative is being pushed to the margins. It is far easier to sell fear of the Iranians to the voters and to promise a Qstrong Israel.Q What does a peace plan made in Saudi Arabia have in common with an Iranian-produced bomb? Plenty, it would appear.... Saudi Arabia is also pressing U.S. President Barack Obama to adopt the initiative, rendering the plan a litmus test for the Arab world's relations with the new administration.... You may support the initiative and you are allowed to oppose it. Yet the Zionist parties who seek the trust of the voters cannot evade the most positive diplomatic outline ever offered to Israel by the Arabs. Each of the candidates must clearly state whether the government will accept or reject the initiative. In other words, what do the candidates prefer -- forming a united front with 22 Arab states against Iran and its agents, or forming a united front with the settlers against the entire world?

IV. QBack to Madrid

Eytan Bentsur, former Director-General of the Foreign Ministry, wrote in HaQaretz (1/26): QThe Obama administration will be asked to formulate a diplomatic process that expands the common denominator of all participants to include everyone who supports peace, focusing on the moderate bloc's advantages. Time will also be important: The faster the process crystallizes, the greater the chance to move it ahead.... A Madrid process, led by the Americans, could lead to an alliance among the moderate countries fighting Islamic fundamentalism. The process will provide the necessary empowerment to overcome fundamentalist terror, hostility and a loss of hope. The new Israeli government can be crucial in moving the process ahead. It is important that its leaders wean themselves off the afflictions of their predecessors, who lost costly diplomatic assets. The Obama administration can herald a renewal of the peace process, advancing on a proven, paved road: normalization throughout the region in a multilateral track amid bilateral progress toward

solutions on territory and refugees. The blending of a Madrid-type process with the Arab initiative can spur a comprehensive peace agreement. Only such a framework will ensure pan-Arab pressure that could give rise to a Palestinian partner not guided by Hamas's doctrine.

VI. QSubstantive Visit

The nationalist, Orthodox Makor Rishon-Hatzofe editorialized (1/25): QWe ... already know in advance the political challenges that await

the next prime minister. We should hope that when the outgoing prime minister, Olmert, meets with the administration's envoy, he will make it clear to him that he had better not establish facts just yet, or put a negotiating outline based on Annapolis on the table. This is in order to prevent a crisis immediately upon the formation of a new government in Israel. Mitchell is not friendly toward Israel. Nevertheless, President Obama's statement last Thursday lays a positive basis for coordinating policy with the United States. Obama and Clinton rejected bringing Hamas into the peace process, and Obama spoke about how humanitarian aid to Gaza needs to be carried out in partnership with the PA and Israel. The rejection of Hamas is the basis from which the next government will be able to coordinate its positions with the U.S. If Israel softens on this subject, it will erode the legitimacy of its very existence.

Since the next government will evidently be a right-wing one, its upper echelon will have to start being creative so that it can move substantially forward with the Obama administration without getting into immediate conflict with it.

CUNNINGHAM